

Financing Transportation



Transportation Summit Planning Committee
October 27, 2003

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- Historical Perspective
- Developing Issues
- Traditional/Current Approaches
- Future approaches

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Historic Perspective



- In the early days of US highways toll roads where the norm
 - National Road
 - Many key bridges built by entrepreneurs



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Historic Perspective

- Infrastructure provided by the government
- Free roads supported by user fees
- Then came the idea of “pay-as-you-go”
- First fuel tax in Oregon 1919 @ 1 cent
- The 1956 Interstate System construction program

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Traditional/Current Approaches to Fund Large Projects

- Tolls
- Bonds
 - TIFIA
 - GARVEE
- Stage projects over long period of time

Will the current approaches work in the future?

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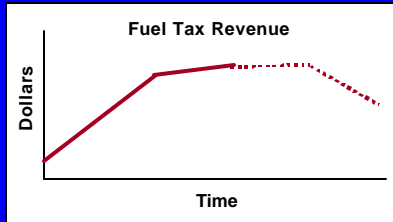
Developing Issues

- Revenue issues:
 - Gas tax revenue has fallen due to more fuel efficient vehicles
 - Alternate fuels
 - Ethanol
 - Hydrogen powered vehicles
 - Electric powered vehicles
- Costs issues:
 - escalating beyond funding ability

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The Future - Revenue



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A Look Ahead

- What does the future hold?
- Where do we go from here?
- We need to find new ways to:
 - Raise revenue
 - Finance major projects
- There will be risks
- It will not be what we are doing today



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The Future - Revenue

- Fuel taxes will be a declining revenue source
- What will replace the current system for revenue collection?



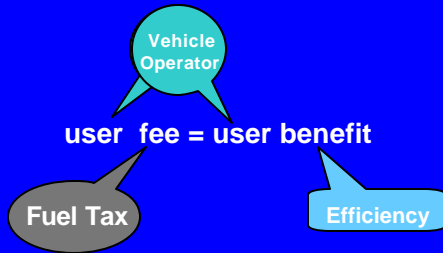
- Increase vehicle fees
- Increase weight fees
- Mileage fees
- Value added tax on cargo
- Other

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Revenue – Traditional Approach

User Pays

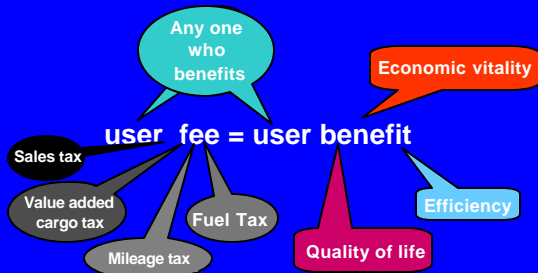


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Revenue – Future Approach

Still User Pays



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Future Approach - Revenue



Even if we can find new revenue sources >> needs will likely exceed dollars available

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Innovative Techniques
"A Whole Life Approach"

Concessionaires

Shadow Tolls

DBFO

Active Management Payment Mechanism

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Innovative Techniques
"A Whole Life Approach"

Concessionaires

- Public Private Partnership
- Long term relationship
- Private sector finances, constructs, operates, and maintains project
- Initial virtual transfer of ownership to private
- Public sector makes annual payments

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Innovative Techniques
"A Whole Life Approach"

Concessionaires

Payment options

- Private sector collects tolls
- Public sector pays shadow toll
 - Usage / Demand
 - Performance

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Shadow Tolls - Usage

- Agency pays
- Not direct charge to user
- Per vehicle / per mile
- Indexed by
 - volume
 - vehicle type
 - time



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Shadow Tolls - Performance

Adjust usage payment or stand alone based on:

- Congestion Management
- Safety Management
- Service Management



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Concessionaires and Shadow Tolls Benefits for Major Projects

- Shared risk
- Public sector does not need full funding at start
- Needed infrastructure can be built sooner
- Public sector payments spread over time
- Public sector not responsible for securing funding
- Over long haul, public outlay is still substantial

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Concessionaires and Shadow Tolls Long Term Outlay

- When we debate how much can we invest we often limit our thinking to how much it will cost
- Maybe we should focus more on what it will cost the economy if we don't build / improve the infrastructure

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Where do we go from here?

- Identify trends – be prepared to act
- Look for new / replacement revenue sources
- Expand user fee / user benefit paradigm
- Investigate and use new funding approaches

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Where do we go from here?

"If we continue to do what we have always done, we will continue to get what we have always got."

